

Washington State
Office of the Insurance Commissioner
Fall, 2004
AGENTS/BROKERS E-NEWSLETTER
Mike Kreidler, Commissioner

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Feature Article

"Survey Says General Liability Insurance Market May be Stabilizing"

by Bill Wilson, Liability Market Project Manager, Office of Insurance Commissioner

The General Liability Insurance market may be stabilizing after three long years of a "hard market." This is especially true for the construction industry, according to a survey by the Washington State Office of the Insurance Commissioner.

The survey of Washington insurance agents and brokers was undertaken earlier this year by the OIC at the direction of the Legislature. The data from the survey was an effort to assist general contractors and construction artisans who have struggled to obtain general liability insurance coverage for their businesses.

Results and information about the survey, including a listing of insurers who offer liability insurance for general contractors and construction artisans, are posted on the OIC's Web-site:

<http://www.insurance.wa.gov/consumers/liability/LiabilityDefault.asp>

The OIC sent out surveys with the help of the Independent Insurance Agents and Brokers of Washington. We couldn't have done this survey without the association's cooperation. It is important to point out that information gathered in the surveys may not be complete, and could become outdated quickly as markets can change quickly, even daily.

The Legislature also directed the OIC to survey the liability insurance market for operators of adult family homes. That information is still preliminary, although it appears the news for adult family home operators won't be as positive. We'll know more after we've gathered and analyzed additional information. We anticipate this market could remain difficult, especially if the Department of Social and Health Services lifts the moratorium for the requirement of having general liability insurance for adult family homes.

In the meantime, we encourage you to visit the OIC Web site and check out the Liability Market Project pages. Once on site, you'll discover an informative fact sheet, frequently asked questions and answers, as well as the listings of companies offering general liability insurance for general contractors and artisans. If you have questions, please feel free to contact me at (360)725-7099 or at billw@oic.wa.gov

Current Hot Topics

Technical Advisory: Insurance Commissioner Mike Kreidler has issued a strongly worded technical advisory <http://www.insurance.wa.gov/oicfiles/techadvisories/T04-05.pdf> to remind Washington's licensed brokers and insurance companies of their duties and responsibilities to insured parties. A news release also was sent to the media on the same subject.

<http://www.insurance.wa.gov/news/dynamic/newsreleasedetail.asp?rcdNum=422> The informational blitz followed fast-breaking developments in New York where the nation's largest insurance brokerage was sued by state officials, and many of the nation's largest insurers were under investigation for misconduct.

Commissioner Proposes New Credit Score Rule: Recent studies have found that, while credit scores are being used by more and more creditors, utilities, insurers and employers, many Americans are unaware of the potential impact of their credit score. One study of 1,000 consumers found that only one-third correctly understood that credit scores indicate the risk of not repaying a loan. And more than half incorrectly believed that a married couple has a joint credit score.

Commissioner Mike Kreidler is now proposing a rule (<http://www.insurance.wa.gov/oicfiles/rules/proposed/2004-01102.pdf>) that would require insurance companies to specifically inform policyholders when decisions to increase the premiums charged for auto or homeowner policies are based on a poor credit score. The new rule would also require companies to assist consumers in attaining more favorable scores when they are penalized for poor scores. A public hearing on the new rule was held in Olympia in late September.

<http://www.insurance.wa.gov/news/dynamic/newsreleasedetail.asp?rcdNum=419>

Unauthorized Sale of Living Trusts: There have been instances of agents going into the homes of elderly folks, and proceeding to offer and sell living trusts without a lawyer present. In response to these reports, the Washington State Bar Association's Practice of Law Board has issued an Advisory Opinion dealing with advice relative to the sale of living trusts by persons not admitted to practice law in Washington. The key points are: (1) You must be a licensed attorney to give advice or counsel about living trusts and other similar legal instruments; and (2) This is regardless of whether or not you received a fee or other consideration for the advice. Here is a full copy of the text.

<http://www.wsba.org/lawyers/groups/practiceoflaw/advopinionlivingtrusts.doc>

The Practice of Law Board is an offshoot of the Washington State Supreme Court's adoption of General Rule 25. The Board deals with persons who practice law without the supervision of a lawyer, or without approval of the Supreme Court.

Customer Service Numbers Merge: The SHIBA HelpLine and the Insurance Commissioner's Consumer Advocacy Hotline are now one and the same. Consumers have just one toll-free number to call for a full array of services – 1-800-562-6900. Calls to the old SHIBA 1-800 number will automatically rollover into the existing number – and all calls will come into the Consumer Hotline in Tumwater. Seven well-trained "live" customer service reps are answering the calls and directing people to the proper resource person to assist them.

So far the new service has been almost flawless. For example, in September a total of 7,196 calls were received, and they were answered within an average of 6 seconds. Only 91 of these calls – or 1.2% - were "abandoned" by the caller, and they hung up after an average of only 9 seconds. The average for abandoned calls for a typical hotline is 5%, with anything near 3% being pretty darn good. So 1.2% is excellent!

Please share this helpline number with your clients – 1-800-562-6900. For complete details on the merger visit: <http://www.insurance.wa.gov/news/dynamic/newsreleasedetail.asp?rcdNum=418>

Consumer Protection Top Priority: The protection of Washington's consumers is the top priority of the OIC. The Consumer Advocacy Division investigates consumer complaints, mediates consumer disagreements with insurance companies, and provides educational material and information that allows consumers to make informed choices about their insurance needs. Compliance analysts ensure that the consumers' insurance rights are not violated by an insurance company.

The Consumer Advocacy staff has been busy helping consumers. The numbers for the last six months are:

- 25,526 responses to consumer calls – average of 4,254 per month
- \$3,286,418 collected for consumers – average of \$547,736 per month
- 2,932 new complaint files opened – average of 489 per month

OIC consumer advocates are ready to assist, support and inform the consumer, and they are just a toll-free call away: **1-800-562-6900**.

Volcanic Damage Coverage: With Mt. St. Helens experiencing severe indigestion, questions are again surfacing concerning home and auto insurance coverage in the event of damages, especially due to ash. A Volcano Coverage Fact Sheet is now posted on the OIC's Web site:

http://www.insurance.wa.gov/factsheets/factsheet_detail.asp?FctShtRcdNum=62

NAIC Interstate Compact Update: Work continues nationwide concerning the creation of an interstate compact dealing with an effective, state-based national system of insurance regulation. Washington Insurance Commissioner Mike Kreidler has been in the forefront of this effort, testifying on more than one occasion before a Congressional committee in the nation's capital. The NAIC provides detailed information on this effort at: <http://www.naic.org/compact/> Commissioner Kreidler authored an article on this topic that is appearing in the Fall issue of the Independent Agents and Brokers of Washington (the Big I) magazine.

Shielding GIs from Abusive Sales: Back in July Commissioner Mike Kreidler issued a news release warning the men and women of our military to be wary of life insurance sales pitches masked as compulsory briefings on personal finances or as veterans' benefits briefings. The release indicated that the OIC had been working with the U.S. General Accounting Office in their research on insurance sales practices on large military bases.

<http://www.insurance.wa.gov/news/dynamic/newsreleasedetail.asp?rcdNum=413>

The latest news on this story appeared in an Oct. 6 *New York Times* article reporting that legislation to protect U.S. soldiers from predatory life insurance and mutual fund sales on military bases had been approved overwhelmingly by the U.S. House of Representatives on a vote of 396-2. The measure would ban the sale of some high-priced mutual fund plans and strengthen state regulation of other financial products on military bases.

Current Status of Premera Conversion: On August 13 Premera Blue Cross filed an appeal in Thurston County Superior Court of Insurance Commissioner Mike Kreidler's rejection of its application to convert to a for-profit company. The full text of the petition can be found on Premera's Web site at

www.premera.com. All of the background leading up to their appeal is available on the OIC's Web site at http://www.insurance.wa.gov/special/premera/Premera_Index.asp

Agents/Brokers Advisory Committees

The Life/Disability and Property/Casualty Advisory committees met separately on Sept. 29 at the Office of the Insurance Commissioner in Tumwater. The topics of discussion for both groups included:

- Update on the merger of the two 1-800 consumer hotlines (see Current Hot Topics)
- NAIC/Congress update concerning interstate compact (see Current Hot Topics)
- Anticipated legislation for the 2005 Legislature (see Upcoming Developments)
- Update on Washington State Health Insurance Pool (WSHIP) (Web site is: <https://www.wship.org/Default.asp>)
- The latest on the National Insurance Producer Registry (NIPR) (information Web site is: www.licenseregistry.com)
- Practice of Law Board's Advisory Opinion on Living Trusts (see Current Hot Topics)
- Rates and Forms information and updates (see Industry News of Interest)
- Group update on Continuing Education rules (visit: http://www.insurance.wa.gov/industry/licensing/licensing.asp#V_CONTINUING_EDUCATION)

The current committee rosters follow – please note that Dale Newell, Bonney Lake, and Donna Haynes, CPCU, CPIW, Tacoma, have been added to the P&C Committee roster. Welcome, Donna and Dave!

Feel free to contact any committee member to find out more details about these topics, or to share your opinions, thoughts and concerns. E-mail Vicki Meyer (Vickim@oic.wa.gov) for contact information.

Property and Casualty Committee Roster

Betty Baker, Bellevue
Robert D. Bush, CPCU, Redmond
P. Leon Giles, Seattle
David M. Hargreaves, CIC, Yakima
Kim W. Impehoven, Spokane
Kendel J. Lyman, Seattle
Thomas P. Long, Jr., CPCU, ARM, RPLU, Seattle
Ray Peretti, CIC, CIA, Renton
Steve Sakahara, Seattle
Donna Haynes, CPCU, CPIW, Tacoma
Dale Newell, Bonney Lake

Life and Disability Committee Roster

Sil L. Arata, Jr., Vancouver
Brenda Brink, Yakima
Dean Byus II, Liberty Lake
Dell Durden, ILN, ChFC, Seattle
Anthony (Bud) Larimer, FMS, Seattle
Richard E. McKinnon, Kennewick
John Rathbun, Jr., Yelm
Ben W. Reppond, CLU, Bellevue
Patti Smith, Kirkland

Upcoming Developments

HP 3000 Migration Project: Another major project is underway at the OIC agency headquarters, where representatives from each division are working with a project manager to significantly upgrade the agency's 20-year-old information system, with an end-product goal of better serving our customers now and in the future. Stay tuned for more details as this project progresses towards completion.

2005 Legislation: The Commissioner's legislative agenda for 2005 is under review. Several issues from last session will likely return, including:

Health Insurance Reform – The bill creates a comprehensive reinsurance system for Washington's health insurance market. Some savings are recaptured by an assessment on carriers and used to help low-income working uninsured afford health insurance. Additional savings are recaptured to provide premium assistance to low-income enrollees in the state's high risk pool.

Malpractice Insurance Program - Establishes an entity to provide excess medical malpractice insurance coverage for medical facilities and providers to help stabilize extreme fluctuations in rates.

Corporate Owned Life Insurance - Some employers purchase insurance on the lives of employees without the knowledge or consent of those employees. Coverage is often continued even after the employee no longer works for the company. This bill restricts employer life insurance purchases to "key" staff and requires written consent before the life of the person can be insured for the benefit of their employer.

Confidentiality of Examiner Working Papers - The working papers of OIC insurance examiners are currently subject to public disclosure. This prompts other states where exams are confidential to not permit our examiners to participate in joint examinations. The inability to participate in "zone" exams raises costs for both the OIC and insurers. This bill would permit the Insurance Commissioner to keep the papers confidential, but not allow companies to hide otherwise non-confidential documents.

Technical Changes - Makes clarifying, easier to read, and non-substantive amendments to statutes in the insurance code to correct inconsistencies and internal references.

Legislative issues being considered:

Interstate Compact – This is an NAIC model act that allows for uniform national filings of life insurance and certain other designated insurance products.

Distressed Companies - Provides additional information about companies that are beginning to find themselves in economic difficulties. It allows the OIC to possibly prevent failures by closer monitoring earlier in the process.

Grievance Model - Simplifies the grievance rules for health plans and allows for uniform standards for state-purchased plans, ERISA plans, and OIC-regulated plans.

Market Conduct Surveillance - An NAIC model that establishes a framework for insurance department market-conduct action. It includes a process and system for prioritizing problems, a means by which insurance regulators can remedy problems, and procedures to coordinate and communicate regulatory actions among states.

Proposed rules:

Continuing Education - The continuing education rules are being revised. They will be updated and rewritten in an easier to read format. The rules will take into account the national uniformity of regulation issues and the need to have online insurance license renewals. This effort is being done in conjunction with a task force of agents, brokers, and continuing education providers.

Credit Scoring - The rule-making proposes two main objectives. 1) the proposed rules intend to streamline the filing process. Insurers had difficulty in providing some of the required data; the proposed rule would change the requirements to make reporting easier and more useful. 2) The proposal clarifies the type of notice insurers must provide to consumers. Many consumers have been mystified with the often-cryptic reasons cited by insurers and frustrated by the lack of direction on what they can do to improve their score and move to a better rating tier.

Clear Rule Writing - The Commissioner is committed to translating archaic legalese into plain English so that insurance codes can be understood by everyone. This business plan effort will modernize, streamline or clarify existing rules. Chapters or rules that are currently under review include:

- Chapter 284-02 - The description of the Insurance Commissioner's Office
- Chapter 284-20 - Insurance policies
- Chapter 284-24 - Rates
- Chapter 284-34 - Credit life, credit accident and health
- Chapter 284-53 - Chemical dependency standards
- Health care grievance regulation
- Health care rate regulation

Anyone interested in OIC rule-makings can add themselves to the e-mail notification list. List members receive all formal rule-making information and all Technical Assistance Advisories. Everyone can sign up on the Commissioner's rule-page on the OIC website.

You can always check on the progress of any legislation proposed by the OIC by visiting the Internet:
http://www.insurance.wa.gov/industry/dynamic/rules_pending.asp

Industry News of Interest

Hodgepodge and Potpourri

- **Speed to Market:** Quick note from the folks in Rates and Forms: The speed-to-market turnaround approval time for rate and form filings has dropped from 55.3 days in 2000 down to the current 30.8 days, a reduction in time of 44.3%!
- **Uninsured a Health Hazard:** An article on this subject which appeared in the *Vancouver Columbian* made a number of references to comments from Commissioner Mike Kreidler, including:
 - Uninsured citizens are costing the rest of us an estimated \$318 million a year

- Most of that cost is absorbed by the private insurance system, as “every covered person ultimately bears a part of this burden through higher healthcare costs and insurance premiums.”

The complete report from the Commissioner that quantifies the uninsured problem can be found <http://www.insurance.wa.gov/news/dynamic/newsreleasedetail.asp?rcdNum=415>

- **We Did the Puyallup:** The OIC once again staffed an Educational Building informational table during the last Saturday of the Puyallup Fair. Eight volunteers from the Tumwater office took turns responding to questions from passers-by, distributing materials, and promoting awareness for the 1-800 Hotline.
- **Washington Joins Settlement:** In case you missed it, last August Commissioner Mike Kreidler signed a consent order enabling an estimated 1,155 Washington policyholders to join a nationwide settlement of over \$3.2 million by Texas-based American National Insurance Company (ANICO) for race-based pricing. <http://www.insurance.wa.gov/news/dynamic/newsreleasedetail.asp?rcdNum=417>
- **Summer Sale Approved:** In late July, Commissioner Mike Kreidler approved the \$1.35 billion sale of Safeco’s life insurance and investments business to an investor group that includes Warren Buffet’s Berkshire Hathaway. <http://www.insurance.wa.gov/news/dynamic/newsreleasedetail.asp?rcdNum=414>

Automobile Insurance

- **Latest NAIC Stats:** The most recent statistical report on auto rates – the NAIC 2001/2002 Auto Insurance Database Report - has been published by the NAIC. It contains the latest information regarding private passenger automobile insurance costs throughout the country.
- **Watch Out!** A new *Centers for Disease Control and Prevention* study found that 10,080 people are injured each year in crashes caused by drivers **swerving or slowing down** to avoid large animals in the road. The study also found that 12,245 people are injured each year after **running into** large animals on the road. Looks dangerous either way!
- **Food for Thought:** A recent safety study shows that, while July 4th remains the deadliest day of the year for drivers, pedestrians, and motorcyclists...the death toll is only slightly higher than for any Saturday of the year! Average for fatalities for the holiday is 161; the average death rate on a typical Saturday is 158.
- **What’s Next?** This Fall the National Highway Traffic Safety Administration is expected to propose regulations requiring new tires to be equipped with microchip sensors that monitor air pressure, with such devices and dashboard warning signals becoming standard equipment on new cars!
- **New Dept. of Labor Stats:** DOL reports that the consumer price index for auto insurance rose 2.4 percent for June 2004 compared with the same time period in 2003.
- **Windshield Replacement Scam:** This article from *Insurance Sales* magazine includes warnings for those contemplating having their damaged windshields replaced, with insurance covering the cost. <http://www.insurancejournal.com/news/national/2004/08/10/44850.htm>

Welcome to the Washington Fold

- American Service Insurance Company, Elk Grove Village, Illinois – Property, Vehicle, and General Casualty insurance

- IDS Property and Casualty Insurance Company – Property, Marine & Transportation, Vehicle, and General Casualty insurance
- Bond Safeguard Insurance Company, Lombard, Illinois – Surety insurance
- Sequoia Insurance Company, Monterey, California – Property, Marine & Transportation, Vehicle, General Casualty, and Surety insurance
- New Jersey Re-Insurance Company, West Trenton, New Jersey – Property, Marine & Transportation, Vehicle, General Casualty, and Surety insurance
- Cherokee Insurance Company, Port Huron, Michigan – Disability, Marine & Transportation, Vehicle, General Casualty, and Surety
- Housing Authority Property Insurance, a Mutual Company, Burlington, Vermont – Property, Marine & Transportation, Vehicle, General Casualty, and Surety
- Producers Agriculture Insurance Company, Amarillo, Texas – Property and Marine & Transportation
- The Guarantee Company of North American USA, Grosse Pointe Farms, Michigan – Surety insurance

Licensing

The OIC's new *Agent and Broker Licensing Information Web Program* continues to be a success!

Almost 86,000 insurance agents and brokers do business in Washington, and they each can now access all of their licensing details on-line without having to go through someone in the OIC's Licensing unit. Details are available on individual and business entity agents, brokers, general agents and adjusters.

Usage totals continue to rise. In September the site generated 8,090 "visitors" who in turn accessed 102,255 different "views" or specific pages of information. All this via the computer! Feedback to the Licensing folks continues to be extremely positive.

If you missed it, you can still view the original news release sent out May 4:

<http://www.insurance.wa.gov/news/dynamic/newsreleasedetail.asp?rcdNum=406>

For direct access to the new Web site: <https://fortress.wa.gov/oic/laa/LAAMain.aspx>.

For all other licensing information visit: <http://www.insurance.wa.gov/industry/licensing/licensing.asp>

Fingerprint Services

Fingerprinting Requirement

Fingerprints are required for anyone applying for a license in the State of Washington.

The specific law – RCW 48.17.090 Application for license – reads:

*“Application for a license to be an agent, broker, solicitor or adjuster shall be made to the Commissioner upon forms furnished by the Commissioner. As a part of or in connection with any such application, the applicant shall furnish information concerning his or her identity, **including fingerprints**, for submission to the Washington State Patrol, the Federal Bureau of Investigation, and any governmental agency or entity authorized to receive this information for a state and national criminal background check, personal history, experience, business record, purposes, and other pertinent facts, as the Commissioner may reasonably require.”*

Electronic fingerprinting is offered at the following assessment centers:

- Lacey/Olympia
- Tukwila/Seattle
- Spokane
- Vancouver

The fingerprints will be printed on the FD-258 card required when applying for a license. There are many advantages to electronic fingerprinting over wet-ink fingerprinting, as electronic fingerprinting is:

- Convenient and available immediately after the candidates pass the exam
- An accurate, efficient, clean process with no wet ink or residue
- A way of producing distinct, high-quality prints
- In accordance with existing FBI and IAFIS requirements for live-scan imaging and therefore has a low rejection rate

Candidates who choose to be fingerprinted electronically must pay a \$15 fee at the assessment center. Payment must be in the form of a certified check, cashier's check or money order, made payable to "Promissor." Cash, personal checks and credit cards will NOT be accepted at the assessment center.

This fee must be paid separately from the examination fee; single payments that cover more than one fee or one candidate WILL NOT be accepted.

Fraud News

Information: The Commissioner's anti-fraud program can be found at <http://www.insurance.wa.gov/industry/fraud.asp>.

Don't go phishin': Be wary of fraudulent attempts to "steal" your confidential financial information. One recent scam – called a "Phishing" attempt - involved an e-mail sent to customers of a large bank, saying: "Recently there have been a large number of identity theft attempts targeting our customers. In order to safeguard your account, we require that you confirm your banking details. This process is mandatory, and if not completed within the nearest time your account may be subject to temporary suspension."

Not so. If you receive one of these at home, immediately forward it to your financial institution security department, and **do not respond**. No legitimate bank would ever ask for this information. And NEVER use the "reply" or link information to access your bank account. Always use the Web address provided by the bank itself in your original account documents.

Disciplinary actions: You can check on current and past disciplinary actions by visiting the OIC Web site at: <http://www.insurance.wa.gov/industry/enforcement.asp>

Rx card fraud: Discounted prescription drug card scams are still in the news, prompting a news release and support information from the OIC, including a link to a handout published by the SHIBA HelpLine, a service of the OIC, entitled "Considering Discount Plans."
<http://www.insurance.wa.gov/news/dynamic/newsreleasedetail.asp?rcdNum=405>

Fraud costs on the rise: According to the *Coalition Against Insurance Fraud*, insurance fraud nationally costs the industry about \$80 billion annually. Computer tools are being used to help identify claims patterns that may indicate fraud. Convictions for insurance fraud rose 31 percent from 2001 to 2002. Fraud bureaus are being used to help catch the bad guys — in 2002 they referred 14 percent more cases for prosecution (nearly 99,000) and 18 percent more for investigation (33,000).

Public Disclosure Information

Regulations adopted: Washington State Insurance Commissioner Mike Kreidler has adopted the 2001 Commissioner's Standard Ordinary (CSO) Mortality Tables which were previously adopted by the NAIC in 2002.

The regulations were filed for permanent adoption on Feb. 2, 2004, and became effective on March 4, 2004. The information is listed under WAC 284-74-400 thru 284-74-460.

An insurer must use the 2001 CSO mortality table as the minimum standard for policies issued on or after Jan. 1, 2009.

New public disclosure mailbox: It's designed to receive written requests and related correspondence from the public.. The address is: pdr@oic.wa.gov

Additional information links: Are provided for the following sites::

- [Public Disclosure Request Procedures](#)
- [Insurance Company Filings Internet Retrieval](#)
- [Service of Process Procedure](#)
- [Life Expectancy Table](#)

Contact Information:

OIC Public Affairs Office
P.O. Box 40255 Tumwater, WA 98504
Scott Scheongarth or Sandi Peck
(360-725-7055
Web page: <http://www.insurance.wa.gov>